# House File 685 - Introduced

HOUSE FILE 685
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 231)

# A BILL FOR

- 1 An Act relating to the administration of the property
- 2 rehabilitation tax credit program by the department of
- 3 cultural affairs and including retroactive applicability
- 4 provisions.
- 5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 1 Section 1. Section 404A.1, Code 2011, is amended to read as 2 follows:
- 3 404A.1 Historic preservation and cultural and entertainment
- 4 district tax credit eligible property definitions.
- 5 l. a. A historic preservation and cultural and
- 6 entertainment district tax credit, subject to the availability
- 7 of the credit, is granted against the tax imposed under
- 8 chapter 422, division II, III, or V, or chapter 432, for the
- 9 substantial rehabilitation of eligible property located in this
- 10 state as provided in this chapter.
- 11 b. Tax credits in excess of tax liabilities shall be
- 12 refunded or credited as provided in section 404A.4, subsection
- 13 3.
- 2. For purposes of this chapter, unless the context
- 15 otherwise requires:
- 16 2. a. Eligible property "Eligible property" means property
- 17 for which a taxpayer may receive the historic preservation and
- 18 cultural and entertainment district tax credit computed under
- 19 this chapter and includes all of the following:
- 20  $a_r$  (1) Property listed on the national register of historic
- 21 places or eligible for such listing.
- 22 b. (2) Property designated as of historic significance to a
- 23 district listed in the national register of historic places or
- 24 eligible for such designation.
- 25  $e_r$  (3) Property or district designated a local landmark by
- 26 a city or county ordinance.
- 27  $d_{\cdot}$  (4) A barn constructed prior to 1937.
- 28 b. "Placed in service" means the same as used in section 47
- 29 of the Internal Revenue Code.
- 30 c. "Qualified rehabilitation costs" means expenditures
- 31 made for the rehabilitation of eligible property and includes
- 32 qualified rehabilitation expenditures as defined in section 47
- 33 of the Internal Revenue Code.
- 34 (1) Qualified rehabilitation costs include amounts if they
- 35 are properly includable in computing the basis for tax purposes

- 1 of the eligible property.
- 2 (2) Amounts treated as an expense and deducted in the
- 3 tax year in which they are paid or incurred and amounts that
- 4 are otherwise not added to the basis for tax purposes of the
- 5 eligible property are not qualified rehabilitation costs.
- 6 (3) Amounts incurred for architectural and engineering
- 7 fees, site survey fees, legal expenses, insurance premiums,
- 8 development fees, and other construction-related costs are
- 9 qualified rehabilitation costs to the extent they are added to
- 10 the basis for tax purposes of the eligible property.
- 11 (4) Costs of sidewalks, parking lots, and landscaping do not
- 12 constitute qualified rehabilitation costs.
- 13 d. "Rehabilitation period" means the period of time during
- 14 which an eligible property is rehabilitated commencing from
- 15 the date on which the first qualified rehabilitation cost is
- 16 incurred and ending with the end of the taxable year in which
- 17 the property is placed in service. A project's rehabilitation
- 18 period may include dates that precede approval of a project
- 19 under section 404A.3, but any costs incurred prior to such
- 20 approval must be qualified rehabilitation expenditures as
- 21 defined in section 47(c)(2) of the Internal Revenue Code in
- 22 order to be qualified rehabilitation costs under this chapter.
- 23 e. "Substantial rehabilitation" means qualified
- 24 rehabilitation costs that meet or exceed the following:
- 25 (1) In the case of commercial property, costs totaling at
- 26 least fifty percent of the assessed value of the property,
- 27 excluding the land, prior to the rehabilitation.
- 28 (2) In the case of residential property or barns, costs
- 29 totaling at least twenty-five thousand dollars or twenty-five
- 30 percent of the assessed value, excluding the land, prior to
- 31 rehabilitation, whichever is less.
- 32 Sec. 2. Section 404A.2, Code 2011, is amended to read as
- 33 follows:
- 34 404A.2 Amount of credit.
- 35 l. The amount of the credit equals twenty-five percent of

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1 the qualified rehabilitation costs made to incurred for the
 2 substantial rehabilitation of eligible property.
      a. In the case of commercial property, rehabilitation costs
 4 must equal at least fifty percent of the assessed value of the
 5 property, excluding the land, prior to the rehabilitation.
      b. In the case of residential property or barns, the
 7 rehabilitation costs must equal at least twenty-five thousand
 8 dollars or twenty-five percent of the assessed value, excluding
 9 the land, prior to the rehabilitation, whichever is less.
10
      c. In computing the tax credit for eligible property that
11 is classified as residential or as commercial with multifamily
12 residential units, the rehabilitation costs used shall not
13 exceed one hundred thousand dollars per residential unit.
      d. In computing the tax credit, the only costs which may
14
15 be included are the qualified rehabilitation costs incurred
16 between the period ending on the project completion date and
17 beginning on the date two years prior to the project completion
18 date, provided that any qualified rehabilitation costs incurred
19 prior to the date of approval of the project as provided in
20 section 404A.3 must be qualified rehabilitation expenditures
21 under the federal rehabilitation credit in section 47 of the
22 Internal Revenue Code.
23
      2. For purposes of this chapter, qualified rehabilitation
24 costs include amounts if they are properly includable in
25 computing the basis for tax purposes of the eligible property.
26
      a. Amounts treated as an expense and deducted in the tax
27 year in which they are paid or incurred and amounts that are
28 otherwise not added to the basis for tax purposes of the
29 eligible property are not qualified rehabilitation costs.
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      b. Amounts incurred for architectural and engineering
31 fees, site survey fees, legal expenses, insurance premiums,
32 development fees, and other construction-related costs are
33 qualified rehabilitation costs to the extent they are added to
34 the basis for tax purposes of the eligible property.
      c. Costs of sidewalks, parking lots, and landscaping do not
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- 1 constitute qualified rehabilitation costs.
- 2 3. For purposes of individual and corporate income
- 3 taxes and the franchise tax, the increase in the basis of the
- 4 rehabilitated property that would otherwise result from the
- 5 qualified rehabilitation costs shall be reduced by the amount
- 6 of the credit computed under this chapter.
- 7 Sec. 3. Section 404A.3, subsection 3, paragraph b, Code
- 8 2011, is amended to read as follows:
- 9 b. The eligible property shall be placed in service within
- 10 thirty-six sixty months of the date on which the project
- 11 application was approved under this section. For purposes of
- 12 this section, "placed in service" has the same meaning as used
- 13 for purposes of section 47 of the Internal Revenue Code. The
- 14 department may provide by rule for the allowance of additional
- 15 time to complete a project.
- 16 Sec. 4. Section 404A.4, subsection 1, Code 2011, is amended
- 17 to read as follows:
- 18 1. Upon completion of the rehabilitation project, a
- 19 certification of completion must be obtained from the state
- 20 historic preservation office of the department of cultural
- 21 affairs. A completion certificate shall identify the person
- 22 claiming the tax credit under this chapter and the qualified
- 23 rehabilitation costs incurred up to the two years preceding the
- 24 completion date during the rehabilitation period.
- 25 Sec. 5. Section 404A.4, subsection 2, paragraph d, Code
- 26 2011, is amended to read as follows:
- 27 d. For the fiscal year beginning July 1, 2012, and for each
- 28 fiscal year thereafter, the department office shall reserve not
- 29 more than forty-five million dollars worth of tax credits for
- 30 any one taxable year.
- 31 Sec. 6. RETROACTIVE APPLICABILITY. This Act applies
- 32 retroactively to July 1, 2009, for projects approved and tax
- 33 credits reserved on or after that date.
- 34 EXPLANATION
- 35 This bill relates to the administration of the historic

- 1 preservation property rehabilitation tax credit program
- 2 administered by the department of cultural affairs.
- 3 The bill makes the following changes to the administration
- 4 of the program:
- 5 (1) Currently, property classified as residential or as
- 6 commercial with multifamily residential units may not exceed
- 7 \$100,000 in rehabilitation costs used per residential unit.
- 8 The bill eliminates this requirement.
- 9 (2) Currently, the program uses a 24-month period for
- 10 purposes of determining the costs that qualify for purposes
- ll of computing the amount of the tax credit. The bill provides
- 12 for a rehabilitation period commencing from the date the first
- 13 qualified rehabilitation cost is incurred and ending with the
- 14 end of the taxable year in which the property is placed in
- 15 service.
- 16 (3) Currently, all rehabilitation projects must be
- 17 completed and placed in service within 36 months of approval.
- 18 The bill allows projects up to 60 months in which to be
- 19 completed.
- 20 (4) A reference to the department of cultural affairs is
- 21 changed to the state historic preservation office.
- 22 The bill applies retroactively to July 1, 2009, for projects
- 23 approved and tax credits reserved on or after that date.